

ERNEST F. HOLLINGS  
SOUTH CAROLINA

OFFICES:

1835 ASSEMBLY STREET  
COLUMBIA, SC 29201  
803-765-5731

126 FEDERAL BUILDING  
GREENVILLE, SC 29603  
864-233-5366

112 CUSTOM HOUSE  
200 EAST BAY STREET  
CHARLESTON, SC 29401  
843-727-4525

## United States Senate

125 RUSSELL OFFICE BUILDING  
WASHINGTON, DC 20510-4002  
202-224-6121

EMAIL: <http://hollings.senate.gov>

COMMERCE, SCIENCE, AND  
TRANSPORTATION: CHAIRMAN

APPROPRIATIONS  
COMMERCE, JUSTICE, STATE AND  
THE JUDICIARY: CHAIRMAN  
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DEMOCRATIC POLICY COMMITTEE

October 7, 2002

Mr. Mitchell Daniels, Director  
Office of Management and Budget  
725 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20503

Dear Mr. Daniels:

Your letter of October 2, 2002, responding to my request in August that you sign off on government financial statements as corporate America has done, misses my point.

While I agree with you that every agency needs to have clean audits and commend you for your efforts to close each agencies' books faster than in past years, you well know that my concern is with the documents issued by your own office. The purpose behind the SEC program was to ensure the accuracy and completeness of corporate America's books. I expect no less from the reports you issue for the entire federal government, including your latest one, the Mid-Session Review issued in July. On page one you state the government has a \$165 billion deficit for 2002; on page 44 it's a \$322 billion; and on page 60, if readers do their own calculations, and include Social Security and other trust funds as they should, the true deficit is \$412 billion for 2002.

The practice of counting Social Security and Medicare surpluses and other trust funds as government revenues is an inaccurate portrayal of the government's financial books. Instead of saving the money for the future, you're using it to fund current expenditures. This practice is not legal in the corporate world. Eli Lilly, Halliburton, and Alcoa can't count retirement accounts as corporate revenues, yet you do in Washington. I'm trying to change that with your help.

If you are asking all federal agencies to come clean, in my opinion, you and Treasury Secretary O'Neill ought to set the example with your own reports. Later this month, you and Secretary O'Neill will be issuing the government's final figures for the 2002 fiscal year. I want to see on page one of the report the true deficit, which means no trust fund surpluses are

counted as government revenues. The number should be an up-dated figure of the \$421 billion deficit for fiscal 2002, as reported on the Treasury's website "The Debt to The Penny" for September 30, 2002.

It is time the President, the Congress, the Cabinet, and the news media all use one set of numbers when reporting government deficits, and not require readers to search through charts of your reports to calculate the deficits on their own.

So, take a filing extension. Take what ever time you need, but I hope that you personally will stand behind the accuracy and completeness of numbers issued by your office. As President Bush is trying to restore confidence in corporate America's books, we need to do the same with the government's books.

With warmest regards I am

Sincerely,



Ernest F. Hollings

cc: Paul O'Neill